

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 1988-01

BILL NO.: HB 583

SUBJECT: RETIREMENT - STATE RETIREMENT SYSTEMS AND BENEFITS
- GENERAL

TYPE: CORRECTED

DATE: MARCH 17, 2003

TO REMOVE DOUBLE COUNTING OF INCREASED CONTRIBUTIONS
TO MOSERS AND TO ADD MODOT'S & MSHP ASSUMPTIONS.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
GENERAL REVENUE	\$13,771,300 TO \$21,829,560	\$4,113,971 TO \$20,198,037	\$4,105,868 TO \$20,186,256)
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	\$13,771,300 TO \$21,829,569	\$4,113,971 TO \$20,198,037	\$4,105,868 TO \$20,186,256

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
OTHER MODOT FUNDS	(\$12,207 TO \$14,423)	(\$12,658 TO \$15,061)	(\$13,128 TO \$15,769)

NUMBERS WITHIN PARENTHESES: () INDICATE COSTS OR LOSSES.
THIS FISCAL NOTE CONTAINS 23 PAGES.

CRIMINAL JUSTICE REVOLVING FUND - PATROL	(\$936 TO \$1,082)	(\$972 TO \$1,134)	(\$1,007 TO \$1,185)
GAMING FUND - PATROL	(\$5,148 TO \$5,951)	(\$5,345 TO \$6,239)	(\$5,539 TO \$6,520)
CRIMINAL RECORD SYSTEM FUND - PATROL	(\$48,195 TO 55,722)	(\$50,046 TO \$58,416)	(\$51,866 TO \$61,058)
HIGHWAY FUND - PATROL	(\$2,008,061 TO \$2,321,663)	(\$2,085,185 TO \$2,433,908)	(\$2,160,970 TO \$2,543,951)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
HIGHWAY FUND - MODOT	(\$6,747,831 TO \$7,972,971)	(\$6,995,955 TO \$8,324,591)	(\$7,256,933 TO \$8,717,243)
OTHER FUNDS	\$7,476,168 TO \$11,685,262	\$2,814,934 TO \$11,197,204	\$2,814,934 TO \$11,197,204
TOTAL ESTIMATED NET EFFECT ON OTHER STATE FUNDS*	(\$1,346,210) TO \$1,313,450	(\$6,335,227) TO \$357,854	(\$6,674,509 TO \$148,522)

* IF 50% OF THOSE ELIGIBLE PARTICIPATE - DOES NOT REFLECT UNFUNDED ACCRUED ACTUARIAL LIABILITY PERTAINING TO MOSERS THAT WOULD INCREASE \$180,247,000. THE ANNUAL INCREASE TO EMPLOYER CONTRIBUTIONS WOULD BE \$35,784,000 BEGINNING IN

NUMBERS WITHIN PARENTHESES: () INDICATE COSTS OR LOSSES.
 VALUATION NOTE CONTAINS 23 PAGES.

FY05. UNFUNDED ACCRUED ACTUARIAL LIABILITY PERTAINING TO HEHPRS WOULD INCREASE \$26,000,000. THE ANNUAL INCREASE TO EMPLOYER CONTRIBUTIONS WOULD BE \$4,500,000 BEGINNING IN FY05.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
FEDERAL FUNDS	(\$84,429 TO \$97,976)	(\$87,648 TO \$102,641)	(\$90,848 TO \$107,316)
TOTAL ESTIMATED NET EFFECT ON <u>ALL</u> FEDERAL FUNDS	(\$84,429 TO \$97,976)	(\$87,648 TO \$102,641)	(\$90,848 TO \$107,316)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
LOCAL GOVERNMENT	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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OFFICIALS FROM THE UNIVERSITY OF MISSOURI, CENTRAL MISSOURI STATE UNIVERSITY, EAST CENTRAL COMMUNITY COLLEGE, LINN STATE TECHNICAL COLLEGE, SOUTHWEST MISSOURI STATE UNIVERSITY, AND DIVISION OF LABOR AND INDUSTRIAL RELATIONS ASSUME NO FISCAL IMPACT TO THEIR AGENCY.

THE JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT INDICATES THAT THIS LEGISLATION DOES REPRESENT A "SUBSTANTIAL PROPOSED CHANGE" IN FUTURE PLAN BENEFITS AS DEFINED IN SECTION 105.660(5). THEREFORE, AN ACTUARIAL COST STATEMENT AS DEFINED IN SECTION 105.665 MUST BE PROVIDED PRIOR TO FINAL ACTION ON THIS LEGISLATION BY EITHER LEGISLATIVE BODY OR COMMITTEE THEREOF.

PURSUANT TO SECTION 105.670, THIS ACTUARIAL COST STATEMENT MUST BE FILED WITH 1) THE CHIEF CLERK OF THE MISSOURI HOUSE OF REPRESENTATIVES, 2) THE SECRETARY OF THE SENATE AND 3) THE JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT AS PUBLIC INFORMATION FOR AT LEAST FIVE (5) LEGISLATIVE DAYS BEFORE FINAL PASSAGE OF THE BILL.

AN ACTUARIAL COST STATEMENT FOR THIS LEGISLATION HAS BEEN FILED WITH THE JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT.

OFFICIALS FROM THE MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM STATE THE PROPOSAL WOULD, IF ENACTED, CREATE A HEALTHCARE AND RETIREMENT INCENTIVE PLAN FOR STATE EMPLOYEES WHO RETIRE AFTER JANUARY 1, 2003 THROUGH DECEMBER 1, 2003. UNDER THIS PROPOSAL, A RETIREE WHO RETIRES DURING THE WINDOW MAY ELECT TO CONTINUE HEALTHCARE COVERAGE FOR HIM/HERSELF AND ANY ELIGIBLE DEPENDENTS AT THE SAME COST AS IF SUCH RETIREE WAS AN ACTIVE EMPLOYEE UNTIL A) BECOMING ELIGIBLE FOR MEDICARE OR B) REACHING AGE 65 AT WHICH TIME THE RATE WOULD REVERT TO THE APPLICABLE RATE FOR RETIREE COVERAGE. AS PROPOSED, THE HEALTH CARE INCENTIVE WOULD BE AVAILABLE TO GENERAL EMPLOYEES COVERED UNDER CHAPTER 103, RSMO; HOWEVER, THE PROPOSAL ALSO

CONTAINS A PROVISION THAT WOULD ALLOW THE BOARDS AND COMMISSIONS THAT GOVERN THE COLLEGES AND UNIVERSITIES, MODOT, THE HIGHWAY PATROL AND THE DEPARTMENT OF CONSERVATION TO ELECT TO OFFER THE SAME HEALTHCARE RETIREMENT INCENTIVE TO THEIR PARTICIPANTS.

THE PROPOSED LEGISLATION WOULD FURTHER ALLOW AN EMPLOYEE COVERED BY THE MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM (MOSERS) AND THE HIGHWAY TRANSPORTATION EMPLOYEES' AND HIGHWAY PATROL RETIREMENT SYSTEM (HTEHPRS) WHO IS ELIGIBLE FOR NORMAL RETIREMENT (AND WHO HAS BEEN CONTINUOUSLY EMPLOYED FOR AT LEAST ONE YEAR) TO RECEIVE AN ADDITIONAL FOUR YEARS OF CREDITABLE SERVICE THAT WOULD BE APPLIED TO THE RETIREE'S MONTHLY BENEFIT CALCULATION EXCLUDING LUMP SUM DISTRIBUTIONS PAYABLE UNDER THE BACKDROP OPTION.

ASSUMPTION (CONTINUED)

LASTLY, THE PROPOSAL CONTAINS PROVISIONS THAT WOULD REQUIRE BOTH MOSERS AND HTEHPRS TO MAKE A REPORT IN WRITING TO THE GOVERNOR, COMMISSIONER OF ADMINISTRATION AND GENERAL ASSEMBLY AS TO THE EFFECT OF STATE EMPLOYEE RETIREMENTS, INCLUDING THE NUMBER OF RETIREMENTS, THE AMOUNT OF THE AFFECTED PAYROLL, AND THE FINANCIAL EFFECT AS EXPRESSED BY THE SYSTEMS' ACTUARIES (WHICH WOULD APPLY ONLY TO THE ADDITIONAL FOUR YEARS OF SERVICE). THERE ARE ADDITIONAL PROVISIONS THAT REQUIRE THE OFFICE OF ADMINISTRATION TO MAKE A SIMILAR REPORT ON THE BUDGETARY EFFECT OF STATE RETIREMENTS, INCLUDING THE REDUCTION IN PAYROLL, THE NUMBER OF POSITIONS CORE CUT, THE NUMBER OF EMPLOYEES REPLACED AND FINANCIAL EFFECT ON THE BUDGET INCLUDING ANY COSTS ASSOCIATED WITH PAYMENT OF MEDICAL PREMIUMS.

NUMBER OF EMPLOYEES ELIGIBLE DURING THE WINDOW

MOSERS HAS NO WAY OF ESTIMATING THE NUMBER OF EMPLOYEES

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WHO MIGHT RETIRE UNDER THIS PROPOSAL; HOWEVER, THE TABLES USED ILLUSTRATED THE NUMBER OF EMPLOYEES WHO WOULD BE ELIGIBLE TO RETIRE AND RECEIVE HEALTHCARE INCENTIVE AND RETIREMENT INCENTIVE PLANS.

PROPOSED RETIREMENT INCENTIVE

THE PROPOSED RETIREMENT INCENTIVE WOULD PROVIDE FOUR ADDITIONAL YEARS OF SERVICE TO MEMBERS WHO ARE ALREADY ELIGIBLE FOR UNREDUCED RETIREMENT FROM FEBRUARY 1, 2003 TO DECEMBER 1, 2003 INCLUSIVE UNDER MSEP OR MSEP 2000. THE ADDITIONAL YEARS OF SERVICE WOULD AFFECT BENEFIT AMOUNTS ONLY, AND NOT ELIGIBILITY. BACKDROP ELIGIBILITY AND LUMP SUMS WOULD BE UNAFFECTED BY THE INCENTIVE.

ACTUARIAL INFORMATION

THE FOLLOWING TABLE ILLUSTRATES THE COMPUTED INCREASE IN THE EMPLOYER CONTRIBUTION RATE THAT WOULD BE NECESSARY TO FUND FOR THE PROPOSED BENEFIT ON A LEVEL COST BASIS. THE ILLUSTRATION ASSUMED THAT 50% OF THE PEOPLE ELIGIBLE FOR THE WINDOW BENEFITS WILL RETIRE DURING THE WINDOW PERIOD AND THAT 25% OF THOSE PEOPLE WILL BE REPLACED.

50% UTILIZATION - 25% REPLACEMENT (\$ IN THOUSANDS)

<u>CATEGORY</u>	<u>PRIOR TO WINDOW</u>	<u>FOLLOWING WINDOW</u>	
	<u>INCREASE (DECREASE)</u>		
CONTRIBUTION RATE	9.35%	11.87%	2.52%
CONTRIBUTION DOLLARS	\$165,802	\$201,586	\$35,784
PAYROLL	\$1,773,283	\$1,698,278	(\$75,005)

ASSUMPTION (CONTINUED)

NOTE: THE ASSUMPTIONS REGARDING HOW MANY PEOPLE WILL RETIRE DURING THE WINDOW PERIOD AND HOW MANY PEOPLE WILL BE REPLACED ARE ILLUSTRATIONS INTENDED TO ASSIST POLICY MAKERS IN FORMING JUDGEMENT. IF THE LEGISLATION WERE ENACTED, IT IS NOT ANTICIPATED THAT ACTUAL EXPERIENCE WOULD BE EXACTLY IN LINE WITH THE EXPERIENCE ASSUMED IN DEVELOPING THE PRECEDING TABLE.

OVERSIGHT WILL PRESENT THE NET SAVINGS AS DETERMINED BY OABAP FOR FISCAL NOTE PURPOSES SINCE BAP HAS INCLUDED MOSER'S COST IN ITS NET SAVINGS.

OFFICIALS FROM TRUMAN STATE UNIVERSITY STATE THERE COULD BE ANNUAL SAVINGS OF APPROXIMATELY \$572,000 IN FY04 AND \$686,000 IN FY05 THROUGH FY07. PERSONNEL SAVINGS WOULD INCREASE AFTER FY04 AS SOME INDIVIDUALS WOULD RETIRE DURING THE FIRST HALF OF FY04. SAVINGS ARE ESTIMATED USING PROJECTED RETIREMENTS AND AN ANALYSIS OF SALARY SAVINGS AND POTENTIAL ELIMINATION OF CERTAIN POSITIONS.

OVERSIGHT NOTES THE PROPOSAL IS OPTIONAL FOR STATE SUPPORTED COLLEGES AND UNIVERSITIES AND THEREFORE, ASSUMES THERE WILL BE NO DIRECT FISCAL IMPACT.

OFFICIALS FROM THE OFFICE OF ADMINISTRATION-DIVISION OF ACCOUNTING ASSUME THE OFFICE OF ADMINISTRATION CAN ABSORB THE COST OF REPORTING WITH EXISTING RESOURCES. FINANCIAL IMPACT ON MOSERS AND MCHCP MUST BE OBTAINED FROM THOSE ORGANIZATIONS. SAVINGS TO THE STATE IS DETERMINED BY THE SALARY OF THOSE RETIRING LESS SALARY OF THOSE HIRED TO REPLACE (ONE IN FOUR), LESS ADDITIONAL COST TO THE STATE FOR RETIREE HEALTH CARE.

OFFICIALS FROM THE STATE HIGHWAY AND PATROL EMPLOYEES RETIREMENT SYSTEM (HTEHPRS) ASSUME THIS PROPOSAL CREATES A RETIREMENT INCENTIVE PLAN. INCENTIVES WOULD BE PROVIDED

FOR RETIREMENT BENEFITS AND MEDICAL INSURANCE PREMIUMS. FOR PURPOSES OF RESPONDING TO THIS REQUEST, HTEHPRS WILL FOCUS ON THE IMPACT OF THE RETIREMENT INCENTIVE PROPOSAL FOR THEIR RETIREMENT SYSTEM.

THE ANALYSIS ASSUMED THE FOLLOWING NUMBER OF EMPLOYEES ELIGIBLE FOR NORMAL RETIREMENT ON JULY 1, 2003. IT IS ASSUMED 50% OF ELIGIBLE EMPLOYEES WILL ELECT THE INCENTIVE PLAN AND THAT 25% OF THOSE EMPLOYEES WILL BE REPLACED.

	<u>TOTAL ELIGIBLE</u>	<u>ESTIMATE D 50% ELECTION</u>
MODOT	583	291
PATROL		
NON-UNIFORMED	110	55
UNIFORMED	<u>69</u>	<u>34</u>
TOTAL	762	380

ASSUMPTION (CONTINUED)

NOTE: THE ELIGIBLE NUMBER OF EMPLOYEES VARIES EACH MONTH DUE TO NEW ELIGIBLES AND RETIREMENTS. ESTIMATED FISCAL IMPACT ON THE RETIREMENT SYSTEM:

MODOT	\$5,717,800	
PATROL		
NON-UNIFORMED	\$ 784,300	
PATROL	<u>\$1,337,300</u>	<u>\$2,121,600</u>
TOTAL		\$7,839,400

CALCULATIONS ARE BASED ON ANNUAL PAYROLL LEVELS OF :

MODOT	\$226 MILLION
NON-UNIFORMED PATROL	31 MILLION
UNIFORMED PATROL	43 MILLION

INCREASED CONTRIBUTION RATES OF:

MODOT	2.53%
NON-UNIFORMED PATROL	2.53%
UNIFORMED PATROL	3.11%

THESE FIGURES DO NOT INCLUDE ANY POSSIBLE IMPACT ON THE MODOT AND PATROL MEDICAL PLAN.

OVERSIGHT WILL PRESENT THE NET INCREASE AS DETERMINED BY THE DEPARTMENT OF TRANSPORTATION SINCE THE DEPARTMENT OF TRANSPORTATION HAS INCLUDED THE STATE HIGHWAY AND PATROL EMPLOYEES RETIREMENT SYSTEM'S COST IN ITS NET COST INCREASE AND THE AMOUNTS ARE MORE CURRENT THAN THOSE USED BY THE RETIREMENT SYSTEM.

OFFICIALS FROM THE DEPARTMENT OF INSURANCE (INS) STATE THE INS HAS 22 FTE THAT WOULD QUALIFY FOR THIS INCENTIVE. SIX OF THESE WOULD THEN BE REFILLED. THE REMAINING 16 POSITIONS WOULD GENERATE SAVINGS IN SALARY AND FRINGE BENEFITS OF \$136,635 IN THE INSURANCE EXAMINERS FUND AND \$622,974 IN THE INSURANCE DEDICATED FUND. THE INS DOES NOT PAY FOR INSURANCE ON RETIREES FROM THEIR DESIGNATED FUNDS. COSTS TO THE RETIREMENT SYSTEM ON THESE POSITIONS ARE ESTIMATED AT \$94,264 ANNUALLY BASED ON CURRENT INSURANCE RATES.

OVERSIGHT ASSUMES, BASED ON THE OFFICE OF ADMINISTRATION - DIVISION OF BUDGET AND PLANNING'S (BAP) RESPONSE, THAT INS' COSTS AND SAVINGS HAVE BEEN INCLUDED IN BAP'S CALCULATIONS.

ASSUMPTION (CONTINUED)

OFFICIALS FROM THE MISSOURI DEPARTMENT OF CONSERVATION STATE THIS PROPOSAL WOULD HAVE NO FISCAL IMPACT ON MDC UNTIL THE CONSERVATION COMMISSION DECIDED TO PARTICIPATE.

OVERSIGHT ASSUMES THERE IS A POTENTIAL FOR ADDITIONAL COST TO THE CONSERVATION COMMISSION IF THEY ELECT TO PROVIDE THE SAME BENEFITS. HOWEVER, THESE COSTS ARE NOT PROVIDED IN

THIS NOTE.

OFFICIALS FROM THE OFFICE OF ADMINISTRATION - DIVISION OF BUDGET AND PLANNING (BAP) STATE THAT WHILE IT IS IMPOSSIBLE TO DETERMINE THE NUMBER OF ELIGIBLE STATE EMPLOYEES WHO WOULD ELECT TO RETIRE UNDER THIS PROPOSED LEGISLATION, BAP HAS ESTIMATED A RANGE OF SAVINGS BASED ON A SET OF ASSUMPTIONS. THE ASSUMPTIONS ARE AS FOLLOWS:

- › 4,308 STATE EMPLOYEES WOULD BE ELIGIBLE TO RETIRE UNDER THE PROPOSAL (EXCLUDING HIGHER EDUCATION INSTITUTIONS).
- › ESTIMATED SAVINGS ARE BASED ON THE VARYING ASSUMPTION OF USE AND REPLACEMENT EMPLOYEES (SHOWN BELOW).
- › BOTH THE MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM AND THE MISSOURI CONSOLIDATED HEALTH CARE PLAN WOULD EXPERIENCE SAVINGS AS WELL AS INCUR COSTS THAT ARE ASSOCIATED WITH THIS PROPOSAL, RESULTING IN THE FOLLOWING ESTIMATED NET SAVINGS TO THE STATE.

IF 50% OF ELIGIBLE EMPLOYEES UTILIZED THIS OPPORTUNITY TO RETIRE AND 25% OF THE POSITIONS VACATED WERE REFILLED, THE NET SAVINGS TO GENERAL REVENUE (GR) WOULD BE \$22,077,772 AND ALL OTHER FUNDS WOULD BE \$11,685,262 FOR FY 04; SAVINGS TO GR AND ALL OTHER FUNDS WOULD BE \$20,458,202 AND \$11,197,204, RESPECTIVELY, FOR FY 05 AND FY 06.

IF 50% OF ELIGIBLE EMPLOYEES UTILIZED THIS OPPORTUNITY TO RETIRE AND 50% OF THE POSITIONS WERE REFILLED, THE NET SAVINGS TO GR AND ALL OTHER FUNDS WOULD BE \$13,985,813 AND \$7,476,168 RESPECTIVELY FOR FY 04. SAVINGS TO GR AND ALL OTHER FUNDS WOULD BE \$4,336,710 AND \$2,814,934 RESPECTIVELY FOR FY 05 AND FY 06.

OVERSIGHT WILL PRESENT THE ESTIMATED NET SAVINGS OUTLINED BY BAP AS A RANGE. THE ABOVE INFORMATION PROVIDED DOES NOT INCLUDE HIGHER EDUCATION INSTITUTIONS AND WHAT UNKNOWN IMPACT THEY WILL HAVE ON THESE AMOUNTS.

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OFFICIALS FROM THE MISSOURI CONSOLIDATED HEALTH CARE PLAN (HCP) STATE THE FOLLOWING PROJECTIONS ASSUME 50% OF ELIGIBLE EMPLOYEES TAKE THE RETIREMENT INCENTIVE AND 25% OF THOSE ARE REPLACED.

ASSUMPTION (CONTINUED)

FOR FY04, THIS PROPOSAL COULD HAVE A FISCAL IMPACT ON HCP OF \$2,388,355. THIS DOES NOT ACCOUNT FOR ANY OFFSETTING PAYROLL SAVINGS THAT MAY BE INCURRED BY THE STATE. FOR FY05, HCP PROJECTS A FISCAL IMPACT OF \$4,084,087 AND FOR FY06, THE PROJECTED IMPACT IS \$4,655,860.

OVERSIGHT WILL PRESENT THE NET SAVINGS AS DETERMINED BY OABAP FOR FISCAL NOTE PURPOSES SINCE BAP HAS INCLUDED HCP'S COST IN ITS NET SAVINGS.

OFFICIALS FROM THE DEPARTMENT OF TRANSPORTATION (MODOT) STATE THEY ASSUME THE MISSOURI HIGHWAY TRANSPORTATION COMMISSION (MHTC) DESIRES TO KEEP ITS RETIREMENT PLAN AS COMPARABLE AS POSSIBLE TO OTHER STATE RETIREMENT PLANS. IF MHTC CHOOSES TO IMPLEMENT THESE BENEFITS, IT HAS BEEN DETERMINED THAT MODOT WILL HAVE TO REPLACE 100% OF THE EMPLOYEES THAT RETIRE UNDER THIS PROPOSAL DUE TO POSITION ELIMINATIONS WITHIN THE PREVIOUS TWO YEARS. IN MODOT'S EFFORTS TO ACHIEVE EFFICIENCIES, MODOT HAS DECREASED STAFF TO MINIMAL LEVELS AND DOES NOT BELIEVE ADDITIONAL REDUCTIONS CAN BE ABSORBED. THE HIGHWAY PATROL ALSO ASSUMES THEY WILL REPLACE 100% OF EMPLOYEES THAT RETIRE UNDER THIS PROPOSAL. THEREFORE, THEY ASSUME THAT THERE WILL BE A NEGLIGIBLE CHANGE IN SALARY COSTS.

INFORMATION PROVIDED BY THE HIGHWAY AND TRANSPORTATION EMPLOYEES' AND HIGHWAY PATROL RETIREMENT SYSTEM (HTEHPRS) STATE THAT THEY ASSUME THIS LEGISLATION WILL CAUSE A CONTRIBUTION RATE INCREASE OF 2.53% FOR MODOT AND PATROL

NON-UNIFORMED EMPLOYEES AND A RATE INCREASE OF 3.11% FOR PATROL UNIFORMED EMPLOYEES. THIS IS DUE TO SECTION 104.627 WHICH ALLOWS FOR FOUR ADDITIONAL YEARS OF CREDITABLE SERVICE TO BE GIVEN TO PEOPLE THAT QUALIFY.

THEREFORE, MODOT WILL EXPERIENCE AN INCREASE IN RETIREMENT CONTRIBUTION PAYMENTS MADE TO THE HTEHPRS. BASED ON ESTIMATED FY04 PAYROLL (WITH THE INCREASE FOR THE MOTOR CARRIER EMPLOYEES FROM THE DEPARTMENT OF REVENUE AND DEPARTMENT OF ECONOMIC DEVELOPMENT) OF \$239,018,162, THE INCREASED RETIREMENT CONTRIBUTIONS FOR MODOT EMPLOYEES WILL BE \$6,047,160. BASED ON THE PATROL'S PAYROLL OF \$31 MILLION FOR NON-UNIFORMED EMPLOYEES AND \$43 MILLION FOR UNIFORMED EMPLOYEES, THE PATROL WILL EXPERIENCE INCREASED CONTRIBUTION RATE EXPENSES OF \$2,121,600 (\$31 MILLION TIMES 2.53% PLUS \$43 MILLION TIMES 3.11%).

BASED ON NUMBERS REPORTED BY THE HIGHWAY RETIREMENT SYSTEM, THERE ARE 553 MODOT EMPLOYEES AND 173 HIGHWAY PATROL (MSHP) EMPLOYEES ELIGIBLE TO RETIRE BETWEEN FEBRUARY 1, 2003 AND DECEMBER 31, 2003. THESE ARE THE EMPLOYEES WHO WOULD BE ELIGIBLE FOR THE ADDITIONAL BENEFIT IF THEY RETIRE WITHIN THE SELECTED 11-MONTH PERIOD. DOT IS GOING TO ASSUME ALL 756 EMPLOYEES WOULD RETIRE DURING THIS 11-MONTH PERIOD TO TAKE ADVANTAGE OF THIS BENEFIT. CURRENTLY MHTC/MODOT AND MSHP IS PAYING AN ACTIVE EMPLOYEE'S STATE CONTRIBUTION TOWARD THE EMPLOYEE'S MEDICAL COVERAGE FOR THESE 756 EMPLOYEES. THE AMOUNTS THEY RECEIVE DIFFER BETWEEN

ASSUMPTION (CONTINUED)

RATE CATEGORIES (I.E. SUBSCRIBER ONLY, SUBSCRIBER/FAMILY, ETC.). THE EMPLOYEES THAT RETIRE IN THE SELECTED 11-MONTH PERIOD WILL CONTINUE TO RECEIVE AN EQUAL STATE CONTRIBUTION AMOUNT TOWARDS THEIR MEDICAL COVERAGE THAT AN ACTIVE EMPLOYEE RECEIVES AS OF THE DATE OF THEIR RETIREMENT.

THIS CONTRIBUTION WILL CONTINUE UNTIL THE RETIREE IS MEDICARE ELIGIBLE, TURNS AGE 65. FOR PURPOSES OF THIS LEGISLATION, MODOT IS GOING TO ASSUME THAT ALL EMPLOYEES WOULD BE IN THE SAME RATE CATEGORY AT ONE TIME AND GIVE A RANGE OF COST FROM THE LOWEST CONTRIBUTION AMOUNT FOR A SUBSCRIBER ONLY RATE CATEGORY TO THE HIGHEST CONTRIBUTION AMOUNT FOR A SUBSCRIBER/FAMILY RATE CATEGORY. IN ADDITION, DOT IS ASSUMING EACH RATE CATEGORY WOULD HAVE A 13% ANNUAL INCREASE IN TOTAL PREMIUMS BASED UPON UTILIZATION/TREND, COMPOUNDED ANNUALLY. MODOT IS ALSO ASSUMING THAT THE PERCENT MHTC/MODOT CURRENTLY CONTRIBUTES TOWARDS AN ACTIVE AND RETIRED EMPLOYEE WILL STAY CONSISTENT OVER THE NEXT 15 YEARS.

THE DIFFERENCE BETWEEN WHAT AN ACTIVE EMPLOYEE RECEIVES AND WHAT A RETIRED EMPLOYEE RECEIVES AS THE STATE CONTRIBUTION IS THE ADDITIONAL COST TO MHTC/MODOT AND MSHP. CURRENTLY MHTC/MODOT AND CONTRIBUTES \$250 PER MONTH TOWARDS AN ACTIVE EMPLOYEES SUBSCRIBER ONLY RATE CATEGORY, AND \$612 PER MONTH TOWARDS AN ACTIVE EMPLOYEES SUBSCRIBER/FAMILY RATE CATEGORY. THE OTHER RATE CATEGORIES FALL SOMEWHERE IN BETWEEN. ALSO, MHTC/DOT AND MSHP CURRENTLY CONTRIBUTE \$145 PER MONTH TOWARDS A RETIREE SUBSCRIBER ONLY RATE CATEGORY AND \$331 PER MONTH TOWARDS A RETIREE'S SUBSCRIBER/FAMILY RATE CATEGORY. THE OTHER RATE CATEGORIES FALL SOMEWHERE IN BETWEEN. IF ALL 756 ELIGIBLE EMPLOYEES WOULD RETIRE BETWEEN FEBRUARY 1, 2003 AND DECEMBER 31, 2003, MHTC/DOT AND MSHP WOULD HAVE AN ADDITIONAL COST OF \$61,215 ($583 \times (\$250 - \$145)$) AND \$18,165 ($173 \times (\$250 - \$145)$) PER MONTH IN CALENDAR YEAR 2003, IF ALL 756 EMPLOYEES WERE IN THE SUBSCRIBER ONLY RATE CATEGORY AND AN ADDITIONAL COST OF \$163,823 ($583 \times (\$612 - \$331)$) PER MONTH IN CALENDAR YEAR 2003 IF ALL 756 EMPLOYEES WERE IN THE SUBSCRIBER/FAMILY RATE CATEGORY.

LOW END OF RANGE COMPUTATIONS

THE BENEFITS SECTION HAS PROVIDED THE FOLLOWING CALENDAR
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YEAR (CY) MONTHLY EXPENSES FOR THE SUBSCRIBER ONLY PLAN FOR MODOT EMPLOYEES: \$61,215 FOR CY03; \$66,878 FOR CY04; \$73,164 FOR CY05; AND, \$76,760 FOR CY06. THE BENEFITS SECTION HAS PROVIDED THE FOLLOWING CALENDAR YEAR (CY) MONTHLY EXPENSES FOR THE SUBSCRIBER ONLY PLAN FOR MSHP EMPLOYEES: \$18,165 FOR CY03; \$20,349 FOR CY04; \$22,244 FOR CY05; AND \$24,624 FOR CY06. THESE ESTIMATES INCLUDE A 13% INFLATION RATE FOR MEDICAL EXPENSE AND IS NETTED AGAINST THE RETIREE WHO NO LONGER QUALIFIES FOR THIS ADDITIONAL BENEFIT.

HIGH END OF RANGE COMPUTATIONS

THE BENEFITS SECTION HAS PROVIDED THE FOLLOWING CALENDAR YEAR (CY) MONTHLY EXPENSES FOR THE

ASSUMPTION (CONTINUED)

SUBSCRIBER/FAMILY PLAN FOR MODOT EMPLOYEES: \$163,823 FOR CY03; \$178,154 FOR CY04; \$195,468 FOR CY05; AND, \$204,525 FOR CY06. THE BENEFITS SECTION HAS PROVIDED THE FOLLOWING CALENDAR YEAR (CY) MONTHLY EXPENSES FOR THE SUBSCRIBER/FAMILY PLAN FOR MSHP EMPLOYEES: \$48,613 FOR CY03; \$54,207 FOR CY04; \$59,428 FOR CY05; AND \$65,610 FOR CY06. THESE ESTIMATES INCLUDE A 13% INFLATION RATE FOR MEDICAL EXPENSE AND IS NETTED AGAINST THE RETIREE WHO NO LONGER QUALIFIES FOR THIS ADDITIONAL BENEFIT.

BECAUSE MODOT AND MSHP WOULD PROBABLY NEVER HAVE ALL OF THE EMPLOYEES IN THE SAME RATE CATEGORY, IT IS MORE REALISTIC THAT THE COSTS WOULD ACTUALLY BE SOMEWHERE IN BETWEEN. WITHOUT KNOWING WHICH RATE CATEGORY THESE EMPLOYEES WOULD BE ENROLLED IN, DOT IS CALCULATING THE IMPACT IN A RANGE.

OVERSIGHT NOTES THERE IS A POTENTIAL FOR ADDITIONAL COSTS IF THE HIGHER EDUCATION INSTITUTIONS, DEPARTMENT OF CONSERVATION AND DEPARTMENT OF TRANSPORTATION PROVIDE THE SAME HEALTHCARE RETIREMENT INCENTIVE PLAN TO THEIR

PARTICIPANTS.

<u>FISCAL IMPACT - STATE GOVERNMENT</u>	FY 2004 (8 MO.)	FY 2005	FY 2006
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GENERAL REVENUE

SAVINGS - OFFICE OF
ADMINISTRATION

NET REDUCTION IN PERSONAL SERVICE COSTS, FRINGE BENEFITS, EXPENSE AND EQUIPMENT, AND HEALTH BENEFIT PREMIUMS	\$13,985,813 TO 22,077,772	\$4,336,710 TO \$20,458,202	\$4,336,710 TO \$20,458,202
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INCREASE - MODOT &
HIGHWAY PATROL

RETIREMENT CONTRIBUTIONS MEDICAL CONTRIBUTIONS	(\$194,414) (\$20,099 TO \$53,789)	(\$200,245) (\$22,494 TO \$59,920)	(\$206,253) (\$24,589 TO \$65,693)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$13,771,300</u> TO <u>\$21,829,569</u>	<u>\$4,113,971</u> TO <u>\$20,198,037</u>	<u>\$4,105,868</u> TO <u>\$20,186,256</u>
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OTHER MODOT FUNDS	FY 2004 (8 MO.)	FY 2005	FY 2006
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INCREASE - RETIREMENT
CONTRIBUTIONS

RAIL EXPENSE	(\$3,628)	(\$3,737)	(\$3,849)
STATE TRANSPORTATION	(\$1,209)	(\$1,246)	(\$1,283)
AVIATION TRUST	<u>(\$6,047)</u>	<u>(\$6,229)</u>	<u>(\$6,415)</u>

TOTAL INCREASE RETIREMENT CONTRIBUTIONS	<u>(\$10,884)</u>	<u>(\$11,212)</u>	<u>(\$11,547)</u>
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INCREASE - MEDICAL
CONTRIBUTIONS

RAIL EXPENSE	(\$441 TO \$1,180)	(\$482 TO \$1,283)	(\$527 TO \$1,407)
STATE TRANSPORTATION	(\$147 TO \$393)	(\$161 TO \$428)	(\$176 TO \$469)
AVIATION TRUST	<u>(\$735 TO \$1,966)</u>	<u>(\$803 TO \$2,138)</u>	<u>(\$878 TO \$2,346)</u>
TOTAL INCREASE MEDICAL CONTRIBUTIONS	<u>(\$1,323 TO \$3,539)</u>	<u>(\$1,446 TO \$3,849)</u>	<u>(\$1,581 TO \$4,222)</u>

ESTIMATED NET EFFECT OTHER MODOT FUNDS	<u>(\$12,207 TO \$14,423)</u>	<u>(\$12,658 TO \$15,061)</u>	<u>(\$13,128 TO \$15,769)</u>
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CRIMINAL JUSTICE
REVOLVING FUND - PATROL

<u>INCREASE - RETIREMENT CONTRIBUTIONS</u>	(\$849)	(\$874)	(\$900)
<u>INCREASE - MEDICAL CONTRIBUTIONS</u>	<u>(\$87 TO \$233)</u>	<u>(\$98 TO \$260)</u>	<u>(\$107 TO \$285)</u>

ESTIMATED NET EFFECT CRIMINAL JUSTICE REVOLVING - PATROL	<u>(\$936 TO \$1,082)</u>	<u>(\$972 TO \$1,134)</u>	<u>(\$1,007 TO \$1,186)</u>
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GAMING FUND - PATROL

<u>INCREASE - RETIREMENT CONTRIBUTIONS</u>	(\$4,668)	(\$4,808)	(\$4,952)
<u>INCREASE - MEDICAL CONTRIBUTIONS</u>	<u>(\$480 TO \$1,283)</u>	<u>(\$537 TO \$1,431)</u>	<u>(\$587 TO \$1,568)</u>

ESTIMATED NET EFFECT GAMING FUND - PATROL	<u>(\$5,148 TO</u> <u>\$5,951)</u>	<u>(\$5,345 TO</u> <u>\$6,239)</u>	<u>(\$5,539 TO</u> <u>\$6,520)</u>
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CRIMINAL RECORD SYSTEM - PATROL	FY 2004 (8 MO.)	FY 2005	FY 2006
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INCREASE - RETIREMENT CONTRIBUTUION	(\$43,705)	(\$45,016)	(\$46,367)
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INCREASE - MEDICAL CONTRIBUTUION	<u>(\$4,490 TO</u> <u>\$12,017)</u>	<u>(\$5,030 TO</u> <u>\$13,400)</u>	<u>(\$5,499 TO</u> <u>\$14,691)</u>
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ESTIMATED NET EFFECT CRIMINAL RECORD SYSTEM - PATROL	<u>(\$48,195 TO</u> <u>\$55,722)</u>	<u>(\$50,046 TO</u> <u>\$58,416)</u>	<u>(\$51,866 TO</u> <u>\$61,058)</u>
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HIGHWAY FUND - MODOT

INCREASE - RETIREMENT CONTRIBUTIONS - MODOT	(\$6,016,924)	(\$6,197,432)	(\$6,383,355)
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INCREASE - MEDICAL CONTRIBUTIONS - MODOT	<u>(\$730,907 TO</u> <u>\$1,956,047)</u>	<u>(\$798,523 TO</u> <u>\$2,127,159)</u>	<u>(\$873,578 TO</u> <u>\$2,333,888)</u>
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ESTIMATED NET EFFECT HIGHWAY FUND - MODOT*	<u>(\$6,747,831</u> <u>TO</u> <u>\$7,972,971)</u>	<u>(\$6,995,955</u> <u>TO</u> <u>\$8,324,591)</u>	<u>(\$7,256,933</u> <u>TO</u> <u>\$8,717,243)</u>
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HIGHWAY FUND - PATROL

INCREASE - RETIREMENT CONTRIBUTIONS - PATROL	(\$1,820,969)	(\$1,875,598)	(\$1,931,866)
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INCREASE - MEDICAL CONTRIBUTIONS - PATROL	<u>(\$187,092 TO</u> <u>\$500,694)</u>	<u>(\$209,587</u> <u>TO \$558,310)</u>	<u>(\$229,104 TO</u> <u>\$612,085)</u>
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ESTIMATED NET EFFECT	<u>(\$2,008,061</u>	<u>(\$2,085,185</u>	<u>(\$2,160,970</u>
HIGHWAY FUND - PATROL*	<u>TO</u>	<u>TO</u>	<u>TO</u>
	<u>\$2,321,663)</u>	<u>\$2,433,908)</u>	<u>\$2,543,951)</u>

ALL OTHER FUNDS	FY 2004 (8 MO.)	FY 2005	FY 2006
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SAVINGS - OFFICE OF
 ADMINISTRATION

NET REDUCTION IN PERSONAL SERVICE COSTS, FRINGE BENEFITS, EXPENSE AND EQUIPMENT AND HEALTH BENEFIT PREMIUMS	<u>\$7,476,168</u> <u>TO</u> <u>\$11,685,262</u>	<u>\$2,814,934</u> <u>TO</u> <u>\$11,197,204</u>	<u>\$2,814,934</u> <u>TO</u> <u>\$11,197,204</u>
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ESTIMATED NET EFFECT ON ALL OTHER FUNDS*	<u>\$7,476,168</u> <u>TO</u> <u>\$11,685,262</u>	<u>\$2,814,934</u> <u>TO</u> <u>\$11,197,204</u>	<u>\$2,814,934</u> <u>TO</u> <u>\$11,197,204</u>
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FISCAL IMPACT - FEDERAL
 GOVERNMENT

FEDERAL FUNDS

<u>INCREASE</u> - RETIREMENT CONTRIBUTIONS - MODOT	(\$63,648)	(\$65,557)	(\$67,524)
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<u>INCREASE</u> - RETIREMENT	(\$12,699)	(\$13,080)	(\$13,472)
CONTRIBUTIONS - PATROL			
<u>INCREASE</u> - MEDICAL	(\$6,539 TO	(\$7,326 TO	(\$8,008 TO
CONTRIBUTIONS - MODOT	\$17,501)	\$19,515)	\$21,394)
<u>INCREASE</u> - MEDICAL	(\$1,543 TO	(\$1,685 TO	(\$1,844 TO
CONTRIBUTIONS - PATROL	\$4,128)	\$4,489)	\$4,926)
ESTIMATED NET EFFECT	(\$84,429 TO	(\$87,648 TO	(\$90,848 TO
FEDERAL FUNDS	<u>\$97,976)</u>	<u>\$102,641)</u>	<u>\$107,316)</u>

* IF 50% OF THOSE ELIGIBLE PARTICIPATE - DOES NOT REFLECT UNFUNDED ACCRUED ACTUARIAL LIABILITY PERTAINING TO MOSERS THAT WOULD INCREASE \$180,247,000. THE ANNUAL INCREASE TO EMPLOYER CONTRIBUTIONS WOULD BE \$35,784,000 BEGINNING INFY05. UNFUNDED ACCRUED ACTUARIAL LIABILITY PERTAINING TO HEHPRS WOULD INCREASE \$26,000,000. THE ANNUAL INCREASE TO EMPLOYER CONTRIBUTIONS WOULD BE \$4,500,000 BEGINNING IN FY05.

<u>FISCAL IMPACT - LOCAL</u>	FY 2004	FY 2005	FY 2006
<u>GOVERNMENT</u>	(10 MO.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - SMALL BUSINESS

NO DIRECT FISCAL IMPACT TO SMALL BUSINESSES WOULD BE EXPECTED AS A RESULT OF THIS PROPOSAL.

DESCRIPTION

THIS BILL CONTAINS PROVISIONS PERTAINING TO MEDICAL INSURANCE AND RETIREMENT INCENTIVES FOR STATE EMPLOYEES WHO ARE MEMBERS OF THE HIGHWAYS AND TRANSPORTATION EMPLOYEES AND HIGHWAY PATROL RETIREMENT SYSTEM (HTEHPRS), THE MISSOURI STATE EMPLOYEES RETIREMENT SYSTEM

VAL:LR:OD (12/02)

(MOSERS), OR THE MISSOURI STATE EMPLOYEES RETIREMENT SYSTEM, YEAR 2000 PLAN (MSEP 2000). MEMBERS OF EACH SYSTEM MUST RETIRE PRIOR TO JANUARY 1, 2004, AND BE ELIGIBLE FOR MEDICAL COVERAGE UNDER THE MISSOURI CONSOLIDATED HEALTH CARE PLAN.

IN ITS MAIN PROVISIONS, THE BILL:

- (1) ALLOWS ANY RETIREE TO ELECT TO CONTINUE MEDICAL COVERAGE AT THE SAME COSTS AS IF THE RETIREE WERE AN ACTIVE EMPLOYEE UNTIL THE RETIREE IS ELIGIBLE FOR MEDICARE OR REACHES 65 YEARS OF AGE;
- (2) REQUIRES THE COSTS FOR MEDICAL COVERAGE FOR ELIGIBLE RETIREES TO REVERT TO THE APPLICABLE RATE WHEN THE RETIREE BECOMES ELIGIBLE FOR MEDICARE OR REACHES 65 YEARS OF AGE;
- (3) REQUIRES ANY ADDITIONAL YEARS OF SERVICE CREDITED TO A RETIREE S ANNUITY TO BE APPLICABLE TO THE COSTS OF MEDICAL COVERAGE AFTER THE RETIREE BECOMES ELIGIBLE FOR MEDICARE OR REACHES 65 YEARS OF AGE;
- (4) REQUIRES THE GOVERNING BODY OF ANY PARTICIPATING MEMBER AGENCY TO ELECT TO PROVIDE THE MEDICAL COVERAGE INCENTIVE CONTAINED IN THE BILL IN ORDER FOR EMPLOYEES OR RETIREES TO BE ELIGIBLE TO APPLY THE INCENTIVE TO THEIR CURRENT COVERAGE;
- (5) ALLOWS THE GOVERNING BOARDS OF TRUMAN STATE UNIVERSITY, LINCOLN UNIVERSITY, STATE COLLEGES LISTED IN SECTION 174.020, RSMO, THE DEPARTMENT OF TRANSPORTATION, THE STATE HIGHWAY PATROL, AND THE DEPARTMENT OF CONSERVATION TO ELECT TO PROVIDE THEIR EMPLOYEES OR RETIREES THE SAME INCENTIVE FOR MEDICAL COVERAGE AS ARE AVAILABLE UNDER THE BILL;
- (6) ALLOWS CURRENT EMPLOYEES WHO ELECT TO RETIRE AND WHO ARE ELIGIBLE TO RECEIVE A NORMAL ANNUITY UNDER HTEHPRS OR

MOSERS, OR A LIFE AND ANY TEMPORARY ANNUITY UNDER MSEP 2000, TO RECEIVE FOUR YEARS OF ADDITIONAL CREDIT SERVICE. THIS ELECTION REQUIRES AN ACTIVE EMPLOYMENT STATUS OF ONE YEAR, AND THE EMPLOYMENT MUST BE IMMEDIATELY PRIOR TO THE EFFECTIVE DATE OF THE BILL. IN ADDITION, CERTAIN LIMITATIONS WILL APPLY FOR EMPLOYEES WHO ELECT TO RETIRE;

DESCRIPTION (CONTINUED)

(7) REQUIRES THE RE-CALCULATION OF A RETIREE S ANNUITY AND THE PROVISION OF A LUMP-SUM PAYMENT TO A RETIREE. AN EMPLOYEE MAY ELECT TO RECEIVE AN ANNUITY OR LUMP-SUM PAYMENT. THE LUMP-SUM PAYMENT AMOUNT IS SUBJECT TO ADDITIONAL REQUIREMENTS;

(8) REQUIRES MOSERS AND HTEHPRS TO SUBMIT A WRITTEN REPORT TO THE GOVERNOR, THE COMMISSIONER OF ADMINISTRATION, AND THE GENERAL ASSEMBLY BY FEBRUARY 1, 2004. THE REPORT MUST EXAMINE REQUIRED SUBJECT AREAS AND THE EFFECTS OF THE INCENTIVE PROVISIONS CONTAINED IN THE BILL. THE PERIOD THE REPORT MUST COVER IS FEBRUARY 1, 2003, TO JANUARY 1, 2004; AND

(9) REQUIRES THE OFFICE OF ADMINISTRATION TO SUBMIT A BUDGETARY REPORT CONCERNING THE EFFECTS OF THE INCENTIVE PROVISIONS CONTAINED IN THE BILL. THE SUBJECT AREAS THE REPORT MUST ADDRESS ARE ALSO CONTAINED IN THE BILL.

THE BILL CONTAINS AN EMERGENCY CLAUSE.

THIS LEGISLATION IS NOT FEDERALLY MANDATED, WOULD NOT DUPLICATE ANY OTHER PROGRAM AND WOULD NOT REQUIRE ADDITIONAL CAPITAL IMPROVEMENTS OR RENTAL SPACE.

SOURCES OF INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
UNIVERSITY OF MISSOURI
CENTRAL MISSOURI STATE UNIVERSITY

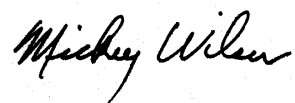
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LINN STATE TECHNICAL COLLEGE
SOUTHWEST MISSOURI STATE UNIVERSITY
DIVISION OF LABOR AND INDUSTRIAL RELATIONS
TRUMAN STATE UNIVERSITY
OFFICE OF ADMINISTRATION -
DIVISION OF ACCOUNTING
DIVISION OF BUDGET AND PLANNING
STATE HIGHWAY AND PATROL EMPLOYEES RETIREMENT SYSTEM
DEPARTMENT OF INSURANCE
DEPARTMENT OF CONSERVATION
MISSOURI CONSOLIDATED HEALTH CARE PLAN

SOURCES OF INFORMATION (CONTINUED)

DEPARTMENT OF TRANSPORTATION
JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT
MISSOURI STATE EMPLOYEES RETIREMENT PLAN

A handwritten signature in black ink, appearing to read "Mickey Wilson". The signature is written in a cursive, flowing style.

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MICKEY WILSON, CPA
DIRECTOR
MARCH 17, 2003